

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL

220.3

DEPARTMENT OF PARKS AND RECREATION
EQUESTRIAN CONCESSION AGREEMENT
AT WILL ROGERS STATE HISTORIC PARK AND
ASILOMAR CONFERENCE GROUNDS
CONCESSION AGREEMENT

JANUARY 1975

TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

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January 21, 1975

Honorable Bob Wilson
Chairman, and Members of the
Joint Legislative Audit Committee
Room 4126, State Capitol
Sacramento, California 95814

Dear Mr. Chairman and Members:

Transmitted herewith is our report pertaining to the Department of Parks and Recreation equestrian concession agreement with Polo Associates, Incorporated at Will Rogers State Historic Park and the department's Asilomar Conference Grounds concession agreement with Pacific Grove-Asilomar Operating Corporation at Asilomar State Beach.

The primary beneficiary of the Will Rogers equestrian facilities, under a concession agreement which has realized the state only a total of \$17,650 in the past two fiscal years, is Polo Associates' 110 members and not the general public.

While the general public may benefit from the concession agreement as spectators to the polo activities, the department's District Superintendent referring to these members reported:

"We are giving these people a more or less monopoly of equestrian use on this extremely valuable property."

The department's Supervisor of Interpretive Services reported:

"I have the distinct feeling we are catering to a very small segment of the public - a segment, I might add, of extreme affluence."

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The department's Division of Information and Interpretation reported:

"The barn, polo practice cage, corrals and roping arena are available but are either concession-controlled, with the public visitation not encouraged, or they are not staffed by park personnel due to insufficient manpower."

The present concession agreement conflicts with park purposes and, due to a significant increase in the number of horses, has caused environmental deterioration. While the first concession agreement limited the number of horses to 19, the present agreement with Polo Associates increased this limit to 100 horses, and at the time of our review 114 horses or 14 in excess of the limit were on the premises.

Facilities added, which did not exist during the days of Will Rogers, include a horse show arena and small grandstand, a fenced horse show staging area, an exercise track, hitching rails, a referee stand in the polo field, 82 horse corrals and a metal horse stable.

The department's Supervisor of Interpretive Services, a professional biologist, reported:

"I still maintain we are in violation of the Declaration of Purpose, and we are thrusting extreme human pressure on the ecology, which is satisfying the needs of a few at present, but which will intrude and usurp the rights of future generations."

The department's Resource Management and Protection Division commenting on the park's Declaration of Purpose reported:

"We cannot agree that a polo and horse show arena is either necessary to or consistent with such a purpose.... The number of animals maintained at these corrals has already now greatly exceeded the number kept during the days of Will Rogers, so that the historical integrity of our presentation is now greatly jeopardized, if not actually violated."

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Polo Associates has not complied with numerous provisions of the concession agreement. Such violations include the construction of facilities such as horse corrals which did not appear on state-approved plans, not installing all of the required landscaping, failure to provide specified maintenance equipment, and keeping an excessive number of horses on the premises.

We recommend that the Department of Parks and Recreation fully enforce compliance with all provisions of its concession agreement with Polo Associates, Incorporated, and to terminate the agreement immediately if violations to the provisions are not corrected within 30 days from the date the concessionaire is notified of his violations.

We further recommend, in any event, that the Department of Parks and Recreation not renew the agreement with Polo Associates, Incorporated after October 31, 1978, when the present agreement expires. This recommendation would not preclude a new contract, making available to the public equestrian facilities at the Will Rogers Park, consistent with the equestrian uses of the park property during the life of Will Rogers.

The Asilomar concession agreement does not provide for independent budgetary review and approval by the Legislature of capital improvement projects, and does not require that surplus funds be paid to the state.

Under this agreement, the state is to incur no financial obligations. While the department approves Pacific's budget annually and while the department can determine if Pacific has surplus funds, no surplus has ever been paid by Pacific to the state.

In lieu of paying such a surplus to the state, Pacific has expended its revenues collected in excess of its operating costs and reserve requirements for various capital improvements. Since 1969, Pacific has expended approximately \$3.1 million for capital improvements, including two privately-owned motels at a total purchase price of \$950,000. One of these motels was acquired under threat of condemnation.

While we recognize that the capital improvements are not being financed with state tax revenues and that such improvements, which eventually become the property of the state, may be worthwhile, these improvements are acquired without legislative budgetary approval. Such approval could directly affect whether any surplus funds are paid to the state by Pacific.

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We recommend that the concession agreement between the Department of Parks and Recreation and Pacific Grove-Asilomar Operating Corporation be amended to require that all of Pacific's funds in excess of operating and reserve requirements be deemed surplus and be paid to the state annually.

We further recommend that this concession agreement be amended to require that an annual budget, itemizing all of Pacific's proposed capital improvements, be submitted to the Legislature for its review and approval.

Respectfully submitted,

Harvey M. Rose
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Auditor General

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INTRODUCTION

Pursuant to a legislative request, we have reviewed selected concession agreements of the Department of Parks and Recreation.

The department acquires, designs, develops, operates and maintains the components of the state park system and provides assistance in the acquisition and development of local recreational facilities.

Currently, the State Parks and Recreation Commission establishes policy for the Department of Parks and Recreation, which is responsible for the day-to-day administration. Formerly, the State Parks and Recreation Commission was known as the State Park Commission and the Department of Parks and Recreation was the Division of Beaches and Parks of the Department of Natural Resources.

This report pertains specifically to the equestrian concession agreement at Will Rogers State Historic Park in Los Angeles County and the Asilomar Conference Grounds concession agreement at Asilomar State Beach in Monterey County.

FINDINGS

THE EQUESTRIAN CONCESSION AGREEMENT AT WILL ROGERS STATE HISTORIC PARK BETWEEN THE DEPARTMENT OF PARKS AND RECREATION AND POLO ASSOCIATES, INCORPORATED, THE CONCESSIONAIRE, IS OPERATED PRIMARILY FOR THE BENEFIT OF THE CONCESSIONAIRE'S 110 MEMBERS RATHER THAN FOR THE BENEFIT OF THE GENERAL PUBLIC. FURTHER, THE AGREEMENT IS IN CONFLICT WITH THE PURPOSE OF THE PARK, THE CONCESSIONAIRE HAS NOT COMPLIED WITH ALL OF THE AGREEMENT'S PROVISIONS, AND THE AGREEMENT HAS CAUSED ENVIRONMENTAL PROBLEMS.

The department's stated purpose in granting the equestrian concession agreement at Will Rogers State Historic Park in Los Angeles County was for the enlightenment and enjoyment of the visiting public. However, the department's files disclose that, while the general public may receive some benefit as spectators to polo activities, a group of 110 individuals who hold membership in Polo Associates, Incorporated, the equestrian concessionaire, is the primary beneficiary of the equestrian facilities at the park under this agreement.

Further, principally because of the number of horses involved and the related expansion of the equestrian facilities, this concession agreement is in conflict with the purpose of the Will Rogers Park. In addition, the concessionaire has not complied with all provisions of the agreement in that numerous violations of the agreement have been allowed to occur, and the agreement has caused environmental problems.

Under this concession agreement, Polo Associates, Incorporated is to pay the state a minimum of \$1,200 annually or, if greater, 7.5 percent of

the first \$160,000 in annual gross receipts and 6 percent of the annual gross receipts which exceed \$160,000. In fiscal years 1972-73 and 1973-74, Polo Associates, Incorporated paid the state \$8,003 and \$9,647 respectively.

Concession Agreement Primarily Benefits
The Concessionaire's Members Rather
Than the General Public

The concessionaire, Polo Associates, Incorporated, is a corporation which for a fee, makes the equestrian facilities, including the use of a polo field, at Will Rogers State Historic Park available to the public as well as to its members, which presently number 110.

However, based on a review of the departmental files, it is the 110 members, rather than the public at large, who are the primary beneficiaries of the equestrian facilities.

In November 1951, a polo group, faced with losing its regular polo field at the Riviera Country Club, applied to the state to use the polo field at Will Rogers Park. In response to the polo club's request, the trustee representing the donor, Betty Rogers, expressed their opposition. Thus, by letter dated February 8, 1952, Mr. O. N. Beasley of the Beverly Hills National Bank and Trust Company, as trustee for the donor, responded to the department stating:

"I think polo is a wonderful sport and if I were young enough and rich enough I would like to play the game.

"After careful consideration I am convinced it would not be wise to allow them to play this game at the Rogers Ranch now. I am convinced that the disadvantages would outweigh the advantages."

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Mr. Howard M. Wilson, also representing the bank, responded to the department by letter dated February 11, 1952:

"There are many reasons for denying the request, but I think the most important one is that the donors plan was to make the ranch available to the public as a whole without restriction. A precedent foreign to this plan would be to permit the polo field to be used by a few who had the ability to play and funds to finance the game."

The polo club was advised in March 1952 that their request was denied; however, eight months later in November 1952 the State Park Commission reversed its decision and entered into an agreement with the polo club, under the name Will Rogers Polo Club. Since then, the equestrian facilities have been significantly expanded. Thus:

- The first concession agreement limited the number of horses in the park to 19; by 1968 this had been increased to 85, while currently the limit is 100. At the time of our review there were 114 horses.
- By separate concession agreement, equestrian activities other than polo (e.g., riding lessons) were begun in 1965 with the Will Rogers Riding Club. The two agreements were renewed year-to-year until 1968 when all equestrian activities were combined into a single ten-year contract with Polo Associates, Incorporated, which consists of many of the persons that were involved with the Will Rogers Polo Club and the Will Rogers Riding Club.

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- The following facilities which did not exist during the days of Will Rogers have been added: horse show arena and a small grandstand, fenced horse show staging area, exercise track, hitching rails, referee stand in the polo field, 82 horse corrals and a metal horse stable.

The department's District Superintendent wrote of his concerns of the individuals who formed Polo Associates, Incorporated in a memorandum of August 4, 1969:

"We are giving these people a more or less monopoly of equestrian use on this extremely valuable property. I believe we should expect and require that their development and operations be of the same high class that we hope to establish with the rest of the park operation. To settle for less, in our estimation, would be a costly disservice to the people of the State."

On August 8, 1969 the department's Supervisor of Interpretive Services wrote:

"I have the distinct feeling we are catering to a very small segment of the public - a segment, I might add, of extreme affluence."

In September of 1970 the department's Division of Information and Interpretation commented upon the interpretive value of the concessionaire's operation:

"As the park now exists, the public does not receive the full benefit of interpretive program. The barn, polo practice cage, corrals and roping arena are available but are either concession-controlled, with the public visitation not encouraged, or they are not staffed by park personnel due to insufficient manpower."

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**Equestrian Concession Is in Conflict With
Park Purpose Principally Due to the Increased
Number of Horses and the Expansion of the
Related Equestrian Facilities.**

The state was gifted approximately one-half of the Will Rogers' ranch on June 8, 1944. The deed specifies that the state is to maintain the park as a memorial and historical monument to Will Rogers, and provides in part:

"Said property shall be used exclusively as a public park and as a memorial and historical monument to the memory of the late Will Rogers and shall not be used for any other purpose or purposes of any kind or nature whatsoever."

On November 9, 1970 the department's historian stated that the intent and purpose for Will Rogers State Historic Park was:

"...to project an accurate portrayal of the life and times of Will Rogers, with particular emphasis on the nature of things seen during his occupancy of the property."

Specifically, the Declaration of Purpose for the park states:

"The purpose of Will Rogers State Historic Park is to perpetuate for public use and enjoyment as a memorial, historical monument, and public park, the Los Angeles home of Will Rogers with its grounds, environs, and memorabilia, dedicated to the memory of this distinguished American humorist, actor, and citizen.

"The function of the Division of Beaches and Parks at Will Rogers State Historic Park is to prescribe and execute a program for the protection, maintenance, use, and interpretation of the Will Rogers ranch house with its grounds, environs, and memorabilia so as best to present the era and tradition of Will Rogers as a fitting memorial to him; making in perpetuity a reasonable charge for admission to the ranch house, recognizing that this ranch encompasses a fine example of the coastal chaparral of the central Santa Monica Mountains, and giving due recognition to all related historical, natural, and appropriate recreational values to be found in the area."

However, a review of the departmental files has disclosed that the expansion of the equestrian facilities resulting from the equestrian concession agreement is in conflict with the purpose of the Will Rogers State Historic Park.

From 1944 until 1951 a small riding and horse hire concession operated at the park. During this period the appropriateness of a riding concession at a state historic park was questioned within the department.

A November 11, 1951 report stated:

"There appears to be but one legitimate argument in favor of a riding concession at the Monument: to make the presentation of Will Rogers ranch historically complete there should be horses on the property and the letting of a concession for rental of riding horses is the most feasible manner of accomplishing this."

* * *

"There are several objections to such an operation...."

* * *

"There is a very serious question whether the State has any justification for making such a service available for a small group of local people."

* * *

"The patrons of the riding concession are not interested in the historical presentation...these patrons resist the enforcement of the regulations which are necessary for the preservation of the Monument and the operation of it as an historical area."

* * *

"It would thus appear that although horses around the ranch would be historically appropriate, it would be wise to give considerably more thought and study to a means of doing this. There are serious and weighty objections to a riding concession at this Monument."

The following assessment made by the department's Resource Management and Protection Division on August 22, 1969 is typical of a number of internal observations:

"The proposal for development of a new arena, and parking facilities to serve it, immediately raises the question of what we are attempting to achieve at this park unit. According to the approved Declaration of Purpose..., we are supposed to be perpetuating the memory and times of Will Rogers, and maintaining the grounds so as to present and interpret the era and tradition of Will Rogers. We cannot agree that a polo and horse show arena is either necessary to or consistent with such a purpose....The number of animals maintained at these corrals has already now greatly exceeded the number kept during the days of Will Rogers, so that the historical integrity of our presentation is now greatly jeopardized, if not actually violated."

As previously noted on pages 4 and 5 of this report, the number of horses have substantially increased and the related equestrian facilities have substantially expanded.

On August 8, 1969, the department's Supervisor of Interpretive Services commented on the results of such expansion in equestrian activities, as follows:

"I still maintain we are in violation of the Declaration of Purpose, and we are thrusting extreme human pressure on the ecology, which is satisfying the needs of a few at present, but which will intrude and usurp the rights of future generations. I fully understand that this is an approved concept; however, I wish to again go on record as a professional biologist and interpreter as objecting strongly to what I consider proposed overuse of a semi-fragile area."

Non-Compliance With
Provisions of Concession Agreement

The concessionaire, Polo Associates, Incorporated, has failed to comply with the following provisions of the concession agreement:

1. The concessionaire had built improvements, including a small grandstand, a metal horse stable, a number of horse corrals, and truck and trailer parking facilities, which did not appear on state-approved plans.
2. All the required landscaping had not been installed.
3. The number of horses on the premises has consistently in recent months exceeded the agreement limit.
4. The fly control program required under the agreement has never been fully implemented.
5. Manure and other debris is dumped at various locations within the park rather than being completely disposed of outside of the park as required by the agreement.
6. There has been a failure to provide the specified maintenance equipment.

Departmental officials stated that attempts by the department to rectify these problems have not been successful. They stated that meetings between department and concession personnel have resulted in agreements and promises which have not been kept by the concessionaire.

Specifically, the manager of the Will Rogers area stated in a report dated June 13, 1974:

"It should also be noted that I have had at least bi-monthly contact with the Polo Associates' manager since being at this unit. Generally speaking these contacts were of an enforcement nature since this concession operation is always lacking and constant monitoring and corrective actions are necessary. I wish to mention that these meetings frequently produced a lot of excuses why things were not being done but very little communication otherwise."

Personnel of the department's Concession Division advised us of discussions with representatives of the Attorney General's Office which indicate that, although there are a number of problems caused by this concession, it is doubtful if the state could unilaterally terminate this contract without incurring substantial cost. Representatives of the Attorney General's Office confirmed this conclusion with us.

Environmental Problems Caused By
Equestrian Concession Agreement

The increased use from currently having 95 horses more than at the time of the first polo concession contract has caused environmental deterioration. In 1969 the department's Environmental Resources Section determined that the excessive number of horses was causing some of the eucalyptus trees in the park to die. A report stated:

"While there may be more than one factor that contributes to some extent to the dieback problem, we are confident that the one factor that far exceeds all the rest in importance is...the effect of urine on the root systems of the trees. We feel that it would be futile to attempt to maintain trees within the corral areas where such a large number of horses are kept."

As previously noted, in 1969, the Supervisor of Interpretive Services reported:

"I still maintain we are in violation of the Declaration of Purpose, and we are thrusting extreme human pressure on the ecology, which is satisfying the needs of a few at present, but which will intrude and usurp the rights of future generations. I fully understand that this is an approved concept; however, I wish to again go on record as a professional biologist and interpreter as objecting strongly to what I consider proposed overuse of a semi-fragile area."

In 1970, the department's historian reported:

"Possibly as critical as threat of fire, is threat to environmental and structural values through intensified use. This is especially noted as it relates to the number of livestock corralled or stabled at Will Rogers State Historic Park. Emphasis upon this type of use has affected environmental quality and destroyed historical integrity. Foremost among areas so affected are Mitt Canyon, Heart Canyon, and Bone Canyon, where corrals have been partitioned without regard for historical authenticity, and crowded conditions have induced erosion, the clogging of natural drains, and the deposit of silt and manure upon parking areas, roads and lawns. Carrying this disregard for historical integrity further, the stable has been overcrowded, a new horse exercise ring has been constructed near the polo grounds...."

While limited equestrian activities may be appropriate, we conclude that the concession agreement with Polo Associates, Incorporated is not in the best interests of the state.

RECOMMENDATIONS

We recommend the Department of Parks and Recreation fully enforce compliance with all provisions of its concession agreement with Polo Associates, Incorporated, and to terminate the agreement if violations to the provisions are not corrected within 30 days from the date that the concessionaire is notified of his violations.

We further recommend, in any event, that the Department of Parks and Recreation not renew the agreement with Polo Associates, Incorporated after October 31, 1978, when the present agreement expires. This recommendation would not preclude a new contract, making available to the public equestrian facilities at the Will Rogers Park, consistent with the equestrian uses of the park property during the life of Will Rogers.

BENEFITS

Implementation of these recommendations will ensure compliance with the provisions of the concession agreement. Upon expiration of the agreement, the public in general, as opposed to the 110 members of Polo Associates, Incorporated, should be the primary beneficiaries of the equestrian facilities, the equestrian facilities should not be in conflict with the park purpose, and the environmental problems should be resolved.

THE CONCESSION AGREEMENT BETWEEN THE DEPARTMENT OF PARKS AND RECREATION AND PACIFIC GROVE-ASILOMAR OPERATING CORPORATION DOES NOT PROVIDE FOR INDEPENDENT BUDGETARY REVIEW AND APPROVAL BY THE LEGISLATURE OF CAPITAL IMPROVEMENT PROJECTS, AND DOES NOT REQUIRE THAT SURPLUS FUNDS BE PAID TO THE STATE. SINCE 1969, PACIFIC HAS EXPENDED APPROXIMATELY \$3.1 MILLION FOR CAPITAL IMPROVEMENTS AND HAS PAID NO SURPLUS FUNDS TO THE STATE.

The Asilomar Conference Grounds, which were acquired by the Department of Parks and Recreation in 1956 and annexed to the Asilomar State Beach, is operated under a concession agreement between the department and Pacific Grove-Asilomar Operating Corporation. This agreement was entered into in November 1969. The Asilomar Conference Grounds are located in Monterey County.

The Pacific Grove-Asilomar Operating Corporation is a nonprofit corporation with a state-appointed board of directors, a general manager and other staff. Pacific maintains and operates the conference facilities, providing sleeping, dining and meeting room accommodations to conference groups on a first-come, first-serve basis. Pacific's facilities are available to the general public when not in use by a conference group.

Under this concession agreement, the state is to incur no financial obligations whatsoever in the operation and development of Asilomar and all costs to operate Asilomar, including operations and capital improvements, shall be budgeted and paid for out of Pacific's revenues. Such revenues are derived from fees charged by Pacific to those persons who use Asilomar for conferences including fees for sleeping, dining and meeting room accommodations.

At all times at least \$100,000 is to be maintained by Pacific for contingencies in a reserve account. As of June 30, 1974, the reserve account balance was \$100,000. An operating account provides for all costs of managing and operating the facilities. All funds not budgeted in the operating account nor included in the reserve account are allocated to the capital outlay account for capital improvements.

Pacific's operating budget and capital improvements budget must be approved by the Department of Parks and Recreation annually. However, the concession agreement does not provide for independent budgetary review and approval by the Legislature.

The department may determine that a surplus of funds exists in the reserve account which may then be transferred to the state. However, the concession agreement does not require that surplus funds be paid to the state. A surplus of funds is that amount of funds, over and above the reserve account, the operating account and the capital outlay account, as determined by the department to be excess to Pacific's needs.

No surplus has ever been paid by Pacific to the state. Since 1969, in lieu of paying a surplus to the state, Pacific has expended approximately \$3.1 million for various capital improvements.

For example, in August 1973 the East Woods facility, a 60-bed complex with meeting rooms, library and offices, which is used as a park ranger training center for the Department of Parks and Recreation, was completed and placed in service. In October 1973, Pacific acquired the privately-owned Holiday Lodge Motel. This facility, which was renovated into 12 sleeping rooms, a meeting room and an

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apartment, was renamed the Forest Lodge. In October 1974, the privately-owned Fireside Cottage Motel, consisting of 26 units, was acquired under threat of condemnation. The purchase price of these two motels was \$950,000.

We recognize that these capital improvements are not being financed with state tax revenues. We further recognize that such improvements, which are approved by the Department of Parks and Recreation, may be worthwhile and necessary and eventually become the property of the state.

However, such capital improvements are being constructed and acquired with no legislative budgetary approval. Such approval could directly affect whether or not any surplus funds are paid to the state by Pacific.

We conclude that it would be both reasonable and proper for the provisions of the concession agreement with Pacific to require that surplus funds be paid annually to the state and that Pacific's budget for capital improvements be submitted to the Legislature for an annual independent budget review and approval.

RECOMMENDATIONS

We recommend that the concession agreement between the Department of Parks and Recreation and Pacific Grove-Asilomar Operating Corporation be amended to require that all of Pacific's funds in excess of operating and reserve requirements be deemed surplus and be paid to the state annually.

We further recommend that this concession agreement be amended to require that an annual budget, itemizing all of Pacific's proposed capital improvements, be submitted to the Legislature for its review and approval.

BENEFITS

Implementation of these recommendations will provide for the payment of all surplus funds to the state and will provide for an independent budgetary review by the Legislature.

SUMMARY OF COMMENTS
OF THE DIRECTOR OF PARKS AND RECREATION
AND HIS STAFF

1. The primary problem in connection with the department's equestrian concession agreement with Polo Associates, Incorporated at Will Rogers State Historic Park is the number of horses permitted on the premises. There should be a maximum of 20 horses permitted on the premises in lieu of the present agreed maximum of 100.
2. The continuation of polo is an appropriate activity to perpetuate the memory and times of Will Rogers and such activities are beneficial to the public. However, as previously noted, the problem is that there are now too many horses.
3. The department plans to move the equestrian facilities to the Tippit Ranch Area of Rustic Canyon which is adjacent to the Will Rogers Park. It is further planned that the public will have full use of these facilities as opposed to a particular group having primary use of the facilities.
4. All capital improvement expenditures for the Asilomar Conference Grounds have been necessary and worthwhile and such improvements are in accordance with the department's master plan.